

WATER/JPT/MXK/RKN:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4511

December 16, 2004

R E S O L U T I O N

**(RES. W-4511), BEASORE MEADOWS WATER COMPANY (BMWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$6,548 OR 78.09% IN 2003.**

SUMMARY

By Draft Advice Letter, filed on March 12, 2003, BMWC seeks an increase in its rates for water service to recover increased expenses of operation and earn an adequate return on its plant investment. For Test Year 2003, this resolution grants an increase in gross annual revenues of \$6,548 or 78.09%, which is estimated to provide a return on ratebase of 12.90%. This resolution also recognizes the ownership transfer of Beasore Meadows Water Company from the late Victor D. Kliewer to his daughter, Sheila Kliewer.

BACKGROUND

BMWC has requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase its water rates by \$6,548 or 78.09% for Test Year 2003. The purpose of the rate increase is to recover increased operating expenses and to provide an adequate rate of return. BMWC'S request shows gross revenues of \$8,540 at present rates increasing to \$14,106 at the proposed rates. BMWC is requesting a return-on-ratebase of 13.75%.

The last general rate increase was granted on September 25, 1992, pursuant to Res. W-3617, which authorized a rate increase of \$3,817 or 167.8% in 1991 with a 0% rate of return and an increase in revenue of \$2,305 or 37.8% in 1992, resulting in a rate of return of 11% for Test Year 1992.

BMWC serves 65 customers at the present time and is located approximately 20 miles from Bass Lake, Madera County, at an elevation above 5,000 feet. Access is seasonal from May to October because the road closes due to snow. The water source for the system is a set of five springs located ¼ mile to the west of the storage tank on US Forest lands. These springs feed into an old and leaking cement block water storage tank. The storage tank is constructed mostly above the ground and is estimated to hold 55,400 gallons. Water is then distributed through a combination of old steel and PVC pipes.

According to the Madera County Environmental Health Department (MCEHD), the water quality is satisfactory.

DISCUSSION

BMWC was owned and operated by the late Victor Kliewer until he died in March 2002. From March 2002 to June 2002, Esther Kliewer, wife of Victor Kliewer, managed the BMWC until she died in June 2002.

According to the Living Trust Agreement of Mr. Kliewer, his daughter, Ms. Sheila Kliewer, inherited all of the property owned by the Kliewers. Ms. Kliewer is requesting that the Commission approve the transfer of ownership of BMWC. Section 853(c) of the Public Utilities Code exempts water systems with less than 10,000 service connections from the approval of ownership requirements of Section 851 and 854 when the change of control is due to inheritance. The Water Division (Division) has reviewed Ms. Kliewer's technical, managerial, and financial qualifications to own and operate BMWC's system. Ms. Kliewer has secured the services of Frank B & Associates to interface with agencies regulating BMWC. Ms. Kliewer has also a local contractor who is familiar with the BMWC's system in the areas of repair, maintenance, and replacement with overall guidance by Frank B & Associates. Since 2002, Ms. Kliewer has taken full responsibility of BMWC's operations in addition to operating her own software development business since 1991. Total net worth of Ms. Kliewer is adequate to fulfill the financial obligations necessary to operate BMWC. The MCEHD indicates, in a letter dated October 28, 2004, that BMWC has demonstrated adequate technical, and managerial capacity to successfully meet Title 22 drinking water standards as a Transit, Non-Community Water System. Therefore, Division recommends that the ownership transfer of Beasore Meadows Water Company from the late Mr. Victor Kliewer to his daughter Ms. Sheila Kliewer be recognized.

The Division made an independent analysis of BMWC's summary of earnings and issued its report in August 2004. Appendix A shows BMWC's and the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences in BMWC's and the Division's estimates in operating revenues, expenses, and rate base. BMWC was informed of the Division's differing views of revenues, expenses and rate base and agrees with the Division's findings.

The major differences in expenses were in the following: (1) Other Plant Maintenance, (2) Management Salaries, (3) Insurance, and (4) Rate Base. The Division's estimates were based on actual billings, past-recorded expenses, and the need for future maintenance expenses.

The Division audited actual bills for insurance and transportation expenses to make its estimates, and relied on past recorded amounts and projected billings for professional services.

BMWC estimated the test-year plant maintenance as zero. Division staff reviewed the MCEHD's inspection report dated June 16, 2002, indicating the water system's deteriorating conditions with respect to the water tank, distribution leaks, and associated problems. The Division staff also noted many complaints from the customers during the public meeting regarding the need for better system maintenance. In order to alleviate the maintenance deficiencies, the Division's estimate of other plant maintenance expense is \$1,026, of which \$350 is allocated to water testing expense.

BMWC's estimate of management salaries is \$4,800 while Division's estimate is \$2,500. Division's estimate is consistent with the average of authorized management salaries for Class D Water Utilities (less than 500 customers) in the past year. The Division derived its estimate by inflating the management salaries authorized in 1991 and allocated additional money for time for traveling from owner's residence to BMWC's location.

BMWC's estimate of rate base is \$16,242 while Division's estimate is \$27,965. The difference is due to differences in BMWC's and Division's estimates of new plant additions. BMWC has made \$11,723 more in plant improvements in 2004 than its original estimate of \$4,000 in 2003. The Division's estimate of the rate base reflects these improvements including installation of a liner to seal the storage tank. At the end of the summer season, the springs have difficulty in supplying enough water to meet the demand. The addition of new connections, drought conditions, and leaks in water lines may lead to water outages in the near future. When BMWC filed for the rate increase in 2003, the estimate of the rate base did not include any new plant additions to address adequate supply, repair and replacement needs. However, subsequent to the filing, BMWC, based on recommendations of the MCEHD, estimates it may need to spend at least \$5,000 on plant improvements in addition to the \$15,723 already spent in 2004. The recommendations include:

1. Repairing system leaks.
2. Installation of inflow, outflow, and overflow meters.
3. Installation of a screen or restrictor blow-off in the creek to prevent the possibility of contamination.
4. Installation of Christie boxes over all main valves.

5. Possible installation of a solar-powered in-line booster pump to ensure adequate pressure for distribution to the ends of the system (at an estimated cost of \$4,000).

Division agrees with BMWC and MCEHD that the plant improvements listed above are needed, if cost effective, to fix the deteriorating system. Division recommends that BMWC be authorized to file an advice letter to offset the additional cost of the plant improvements listed in items 1 through 6 above.

In Decision (D.) 92-03-093, effective April 30, 1992, the Commission adopted the operating ratio method of ratemaking as an alternative to the rate of return method on rate base for Class C and D utilities. Ordering Paragraph 8 of D.92-03-092 states:

Division is directed to calculate rates using both return-on-rate base and operating ratio methods of ratemaking for Class C and Class D water companies requesting new rates and to recommend to the Commission the rate method that produces the higher results.

When applying the operating ratio method, the utility's revenue requirement is defined as the sum of its operating and maintenance expenses, depreciation expense, income and other taxes, and operating margin. The operating margin does not have a defined value. However, considering low inflation rates and low interest rate in recent years, an operating margin of 12.90% is reasonable for BMWC. Using the operating ratio method with a return on margin of 12.90%, Division's estimate of BMWC's revenue requirement is \$12,010.

BMWC is a Class D water utility. The Division's Audit & Compliance Branch has conducted an analysis of the financial market changes with the last year and the high operational risks faced by Class D water companies and has determined that the appropriate range for Return on Equity (ROE) is 12.4% - 13.4%. Since no debt is involved in BMWC's capital structure, the recommended rate of return on rate base is 12.9%, the mid point between 12.4% and 13.4%. Using this figure, Division calculates a revenue requirement of \$14,935. Division recommends the return on rate base method since it produces the higher revenue requirements.

BMWC'S current rate structure consists of two rate schedules – 1S, Seasonal Metered Service and 2RS, Seasonal Residential Flat Rate Service. At the present time, BMWC has 65 flat rate customers who are billed once a year in the month of May. Even though BMWC does not have any metered customers, Schedule 1S is provided for future circumstances. The new rate schedules are included in Appendix B.

At the Division's recommended rates for seasonal residential flat rate service, as shown in Appendix C, the annual bill for a single-family residential unit will increase from \$129.00 to \$229.74 or 78.09%. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted tax calculations are shown in Appendix D.

The Division staff audited operating expenses, including salaries and contracting fees, insurance expenses, income and other taxes. Staff verified the operating expenses by reviewing supporting documents for accuracy, and included those expenses that were deemed reasonable and prudent.

NOTICE AND PUBLIC MEETING

BMWC sent a notice of public meeting to all its customers informing them of the proposed rate increase and of the public meeting to be held by the Commission. A public meeting was held at "Cedar Room", Pines Resort, Bass Lake, on August 21, 2003, at 1:00 pm. Division staff conducted the public meeting. Thirty-one people attended the meeting. The customers were dissatisfied with the maintenance and upkeep of the water system. Ms. Kliever explained that her parents, who owned and operated the water system, were sick for the last few years and passed away recently. She indicated that she would be taking over the water system and would do her best, under the circumstances, to improve the system. The main complaint from most of the customers was that no attention was paid to the operation and maintenance of the water system and the system is not in good operating condition. Ms. Kliever explained that sufficient funds were not available for maintenance of the system. The Division staff conducted the field investigation of the service area after the meeting was concluded.

Water Division received several complaints requesting the Commission not to permit the rate increase until BMWC starts paying attention to the maintenance of the water system. However, BMWC has not been filing for Consumer Price Index increases, or general rate increases since 1991. Consequently, the company's operation and maintenance has suffered. No customer complaint had been received until the notice to public meeting was sent. All the customers who were present at the public meeting requested a copy of the staff report. A copy of the staff report was mailed to each of the customers requesting the report.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. However, BMWC needs to keep the company's financial bookkeeping in accordance with the Uniform System of Accounts for Class B, C, and D Water Utilities adopted in D.85-04-076. In addition, the utility needs to update its Preliminary Statement, Schedule No. LC; Late Payment Charge; Rules 3, Application of

Service; Rule 5, Special Information Required on Forms; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering and Payments of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 16, Service Connections, Meters and Customer's Facilities; Rule 20, Water Conservation; Rule 21, Fire Protection; Form 2, Customer's Deposit Receipts; Form 3, Bill of Service; Form 11, Uniform Fire Hydrant Service Agreement; and Form 12, Connection Fee Data Form.

FINDINGS

1. The ownership transfer of Beasore Meadows Water Company from Victor D. Kliewer to his daughter, Sheila Kliewer, should be recognized.
2. The Division's recommended Summary of Earnings (Appendix A) for the test year 2003 with known future adjustments to rate base made in 2004 is reasonable and should be adopted.
3. The rates recommended by the Division (Appendix B) for the test year are reasonable and should be authorized.
4. BMWC should be authorized to file advice letters to recover the costs of improvements to fix the leaks in the system, and replace and repair mains and valves after the plants are used and useful. The list of plant improvements is as follows:
 - a. Installation of inflow, outflow, and overflow meters.
 - b. Installation of screen or restrictor blow-off valves in the creek to prevent possibility of contamination.
 - c. Installation of Christie boxes over all main valves.
 - d. Possible installation of a solar-powered in-line booster-pump to ensure adequate pressure for distribution to the ends of the system at an estimated cost of \$4,000.
5. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311 (g) (13).
6. BMWC should be required to maintain the company's financial bookkeeping in accordance with the Uniform System of Accounts for Class B, C, and D Water Utilities adopted in D.85-04-076.
7. There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required. BMWC needs to keep the company's financial bookkeeping in accordance with the Uniform System of Accounts for Class B, C, and D Water Utilities adopted in D.85-04-076.

8. In addition, the utility should update its Preliminary Statement, Schedule No. LC; Late Payment Charge; Rules 3, Application of Service; Rule 5, Special Information Required on Forms; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering and Payments of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 16, Service Connections, Meters and Customer's Facilities; Rule 20, Water Conservation; Rule 21, Fire Protection; Form 2, Customer's Deposit Receipts; Form 3, Bill of Service; Form 11, Uniform Fire Hydrant Service Agreement; and Form 12, Connection Fee Data Form.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 to Beasore Meadows Water Company to file an advice letter incorporating the summary of earnings and the revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate Schedule No. 2RS, Seasonal Residential Flat Rate Service, and 1S, Seasonal Metered Service. The effective date of the revised schedules shall be five days after the date of filing.
2. Beasore Meadows Water Company is authorized to increase its annual revenues by \$6,548 or 78.09%, based on reasonable rates for 2003 as adjusted for known changes in rate base in 2004.
3. Beasore Meadows Water Company is authorized to file advice letters to cover the cost of improvements after the plant is used and useful. The list of plant improvements are as follows:
 - a. Installation of inflow, outflow and overflow meters.
 - b. Installation of screen or restrictor blow-off valves in the creek to prevent possibility of contamination.
 - c. Installation of Christie boxes over all main valves.
 - d. Possible installation of a solar-powered in-line booster-pump to ensure adequate pressure for distribution to the ends of the system.
4. Beasore Meadows Water Company shall keep the company's financial books in accordance with the Uniform System of Accounts for Class B, C, and D Water Utilities adopted in Decision 85-04-076.
5. Beasore Meadows Water Company shall update its Preliminary Statement, Schedule No. LC; Late Payment Charge; Rules 3, Application of Service; Rule 5, Special Information Required on Forms; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering

and Payments of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 16, Service Connections, Meters, and Customer's Facilities; Rule 20, Water Conservation; Rule 21, Fire Protection; Form 2, Customer's Deposit Receipts; Form 3, Bill of Service; Form 11, Uniform Fire Hydrant Service Agreement; and Form 12, Connection Fee Data Form.

6. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 16, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

DRAFT

Resolution W-4511

December 16, 2004

BMWC/DRAFT AL/JPT/MXK/RKN:jlj

APPENDIX A

SUMMARY OF EARNINGS

Test Year 2003

<u>Item</u>	<u>Adopted</u>		<u>Utility Estimated</u>		<u>Branch Estimated</u>		
	<u>Rate</u>		Present	Proposed	Present	Adopted	Recommended
	<u>1992</u>	<u>2002</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
<u>Operating Revenue</u>							
Flat Rates	\$8,397	\$8,540	\$8,540	\$14,106	\$8,385	\$14,933	\$14,933
<u>Operating Expenses</u>							
Purchased Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchased Power	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials	\$0	\$92	\$150	\$150	\$150	\$150	\$150
Contract Work	\$385	\$300	\$600	\$600	\$600	\$600	\$600
Transportation	\$600	\$0	\$780	\$780	\$780	\$780	\$780
Other Plant Maintenance	\$350	\$0	\$0	\$0	\$1,026	\$1,026	\$1,026
Employee Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Management Salaries	\$1,200	\$5,000	\$4,800	\$4,800	\$2,500	\$2,500	\$2,500
Employee Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Uncollectibles	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Services & Rental	\$300	\$104	\$390	\$390	\$390	\$390	\$390
Office Suppl. & Exp.	\$200	\$0	\$260	\$260	\$260	\$260	\$260
Professional Services	\$0	\$0	\$500	\$500	\$500	\$500	\$500
Insurance	\$1,000	\$1,650	\$1,850	\$1,850	\$2,227	\$2,227	\$2,227
Regulatory Comm. Exp.	\$0	\$0	\$163	\$163	\$327	\$327	\$327
General Expenses	\$0	\$365	\$375	\$375	\$375	\$375	\$375
Other volume related	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$4,035	\$7,511	\$9,868	\$9,868	\$9,135	\$9,135	\$9,135
Depreciation Expense	\$577	\$577	\$577	\$577	\$577	\$577	\$577
Property Taxes	\$180	\$175	\$175	\$177	\$177	\$177	\$177
Income Tax	\$1,146	\$0	\$0	\$1,251	\$800	\$1,437	\$1,437
Total Deductions	\$5,938	\$8,263	10,620	11,873	\$10,689	\$11,326	\$11,326
<u>Net Revenue</u>	\$2,459	\$277	-\$2,080	\$2,233	-\$2,304	\$3,607	\$3,607
<u>Rate Base</u>							
Average Plant	\$30,898	\$30,898	\$30,898	\$30,898	\$30,898	\$30,898	\$30,898
New Plant Additions				\$4,000	\$15,723	\$15,723	\$15,723
Avg. Accum. Deprec.	-\$13,085	-\$18,279	-\$18,856	-\$18,856	-\$18,856	-\$18,856	-\$18,856
<u>Net Plant</u>	\$17,813	\$12,619	\$12,042	\$16,042	\$27,765	\$27,765	\$27,765
<u>Less Advances</u>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred income taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Plus: Working Cash</u>	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Materials & Supplies	\$0	\$200	\$200	\$200	\$200	\$200	\$200
Less: Acc Deferred Income Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>Rate Base</u>	\$17,813	\$12,819	\$12,242	\$16,242	\$27,965	\$27,965	\$27,965
<u>Rate of Return</u>	13.805%	2.161%	-16.99%	13.75%	-8.24%	12.90%	12.90%

APPENDIX B

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Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE**APPLICABILITY**

Applicable to all flat rate residential water service furnished on a seasonal basis. Service is limited to the period of access to the subdivision and assumed to be June 1 through October 30.

TERRITORY

Beasore Tracts and vicinity, northeast of Bass Lake, Madera County.

RATES

	Effective	
	Per Service Connection	
	<u>Per Summer Season</u>	
For a single-family residential unit, including premises.	\$229.74	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$ 32.95	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule 1S, Seasonal Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. Service may be taken under this schedule for summer season only.

(continued)

APPENDIX B

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Schedule No. 2RS

(continued)

SEASONAL RESIDENTIAL FLAT RATE SERVICE

4. The opening bill for flat rate service shall be the established seasonal flat rate charge for the service. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-fiftieth (1/150) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least five months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Schedule No. 1S

SEASONAL METERED SERVICE**APPLICABILITY**

Applicable to all metered water service furnished on a seasonal basis. Service is limited to the period of access to the subdivision and assumed to be May 1 through October 30.

TERRITORY

Beasore Tracts and vicinity, northeast of Bass Lake, Madera County.

RATES

		Effective	
Quantity Rate:			
All water per 100 cu. ft.		\$ 1.15	(I)
		Per Meter Per Season	
		<u>Effective</u>	
Service Charge			
For 5/8 x 3/4-inch meter.		\$208.00	(I)
For 3/4-inch meter.		\$312.00	(I)
For 1-inch meter.		\$416.00	(I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. Service may be taken under this schedule for summer session only.
2. The seasonal service charge is payable in advance on or before the initial day of the season, or the day service is begun.
3. Meters may be read monthly, bi-monthly, or seasonally at the option of the utility. Bills will be rendered accordingly.

APPENDIX B

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Schedule No. 1S

(continued)

SEASONAL METERED SERVICE

4. The opening bill for metered service, except upon conversion from flat rate service, shall be the established seasonal service charge for the connection. Where initial service is established after the first day of any season, the portion of such seasonal charge applicable to the current season shall be determined by multiplying the seasonal charge by one one-hundred-fiftieth (1/150) of the number of days remaining in the season. The balance of the payment of the initial seasonal charge shall be credited against the charges for the succeeding seasonal period in which service is taken. If service is not continued for at least five months of the first year after the date of initial service, no refund of the initial seasonal charges shall be due the customer.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service for test year 2003 is shown below:

Quantity Rate:

All water per 100 cu.ft.	1.00	1.15
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Service Charge/Minimum Charge

	<u>Per Meter Per Summer Season</u>	
	<u>Present</u>	<u>Recommended</u>
	<u>Rates</u>	<u>Rates</u>
For 5/8 x 3/4-inch meter	\$ 110.00	\$208.00
For 3/4-inch meter	\$ 147.00	\$312.00
For 1-inch meter	\$ 220.00	\$416.00

Comparison of annual customer bills at present and Branch recommended rates for 2003 test years for a 5/8 X 3/4-inch meter is shown below:

Usage	Present	Proposed	Increase	Increase
<u>100 cu.ft.</u>	<u>Bills</u>	<u>Bills</u>	<u>Amount</u>	<u>Percentage</u>
0	\$ 110.00	208.00	\$ 98.00	89.09%
3	113.00	211.45	98.45	89.50%
6	116.00	214.90	98.90	89.91%
20	130.00	231.00	101.00	91.82%
30	140.00	242.50	102.50	93.18%
40	150.00	254.00	104.00	94.55%

BEASORE MEADOWS WATER COMPANY

COMPARISON OF RATES

(continued)

	Per Service Connection			
	<u>Per Summer Season</u>			
	Present	Recommended	Increase	
	<u>Rates</u>	<u>Rates</u>	<u>%</u>	
For a single-family residential Unit, including premises.....	\$129.00	\$229.74	\$100.74	78.09%
For each additional single-family Residential unit on the same Premises and served from the Same service connection.....	\$ 18.50	\$ 32.95	\$ 14.45	78.09%

(END OF APPENDIX C)

APPENDIX D

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ADOPTED QUANTITIES

Test Year 2003

Federal Income Tax Rate	15.0%
California Income Tax Rate	8.84%

Expenses

	Amount
1 Property Tax	\$177
2 Water Testing (Included in Other Plant Maintenance)	\$350
3 Flat Rate Customers	65

ADOPTED TAX QUANTITIES

Test Year 2003

ADOPTED TAX CALCULATIONS

Line No.	Item	2003 Adopted Rates	
		State Tax	FIT
1	Operating Revenues	\$14,933	\$14,933
2	Expenses	\$ 9,135	\$ 9,135
3	Taxes Other than Income	177	177
4	Depreciation	557	557
5	Interest	0	0
6	Taxable Income for State Tax	\$5,044	
7	State Tax (8.84%; \$800 min.)	800	800
8	Taxable Income for Fed Tax		4,244
9	Federal Income Tax (15.0%)		637
10	Total Income Tax		1,437

(END OF APPENDIX D)